

# NRF<sup>®</sup> MONTHLY ECONOMIC REVIEW

Economic Data & Trends for the Retail Industry

Sept. 2016

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*\*The data for this report is released on a rolling schedule. The presented numbers are current as of publication and are subject to revision.*

## SYNOPSIS

### **If Consumers Spend, the Economy Will Stay on Track to Grow**

The recent performance of the U.S. economy has operated in fits and starts. A handful of recently released indicators — including industrial production, retail sales, hiring and inflation — have not been robust, thereby decreasing optimism in economic growth ramping up in the latter half of the year. In contrast, the National Retail Federation remains cautiously optimistic that the pace of economic activity will pick up in the near term.

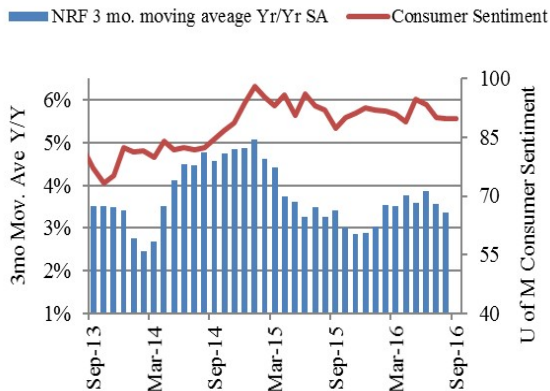
Data is often uneven and erratic due to small shocks in marketplace activity, seasonal changes, revisions and other factors. Month-to-month comparisons can provide false signals about the direction and pace of economic activity. Moreover, the slow economic recovery has made it even more difficult to detect strong or weak signals, making it critical not to overly interpret blips. Trends and implications are better understood by piecing together several monthly releases of data to identify good or poor patterns of performance. This is particularly true today, as current economic activity remains unimpressive and there is little momentum to move beyond a general economy growing at a rate of about 2 percent annually.

Economic activity is not expected to grow at a spectacular pace, but NRF sees a bit more room for growth generated from stronger domestic demand. Although the unemployment rate has changed slightly, the labor market has strengthened with solid job gains. Household related spending is expected to remain sound. Assistance in economic improvements is expected from commercial construction and should provide a basis for growth by adding jobs, income and spending. Meanwhile, many firms have reduced the overhang of manufactured goods inventories from earlier in the year and now will need to boost production, which will add to jobs, income and spending.

There are several risks to our outlook that include geopolitical uncertainty, slower global growth, the presidential election, the strong dollar, low oil prices and tight financial conditions. In general, consumer behavior continues to reflect a fairly rational and cautious tone by historical standards, yet the recent story about economic growth is all about robust consumer spending. The American consumer is resilient and its spending power should never be underestimated. As long as consumers remain confident and continue to spend, the economy will stay on track to grow.

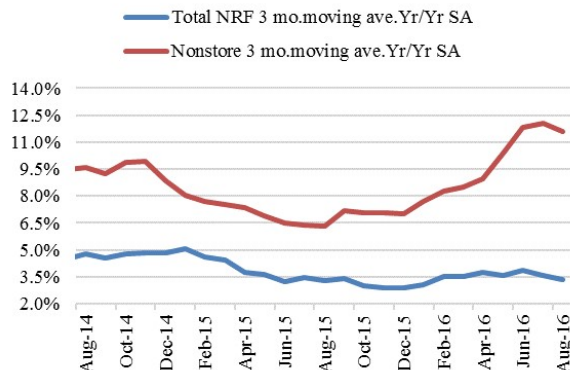
## CONSUMER SENTIMENT

After a pickup earlier in 2016, gains in consumer attitudes and retail spending have softened. It looks like consumers took a longer than expected summer break from shopping.



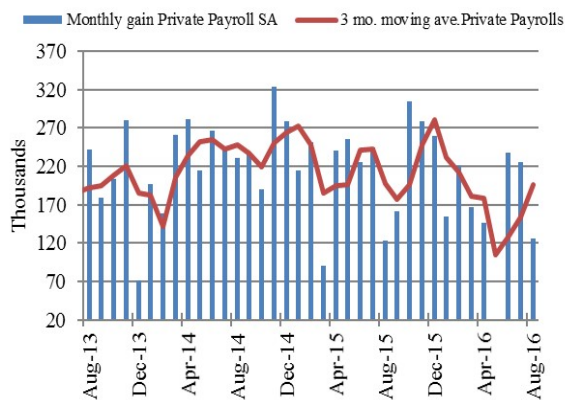
## RETAIL SALES

Although overall retail sales trend growth has slowed, the weakness is expected to be temporary and expected to improve in the coming months.



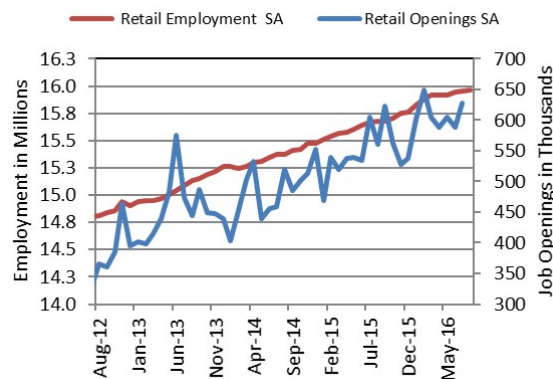
## JOB GROWTH

Job growth may have lost some steam in August but private payrolls are up over the last three months, an average of 196,000, and are consistent with sturdy consumer spending.



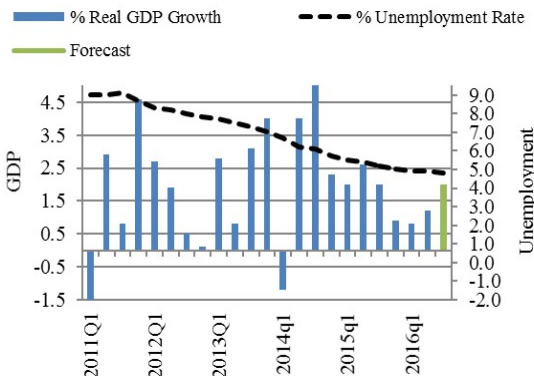
## RETAIL EMPLOYMENT

Retailers continue to add jobs at a measured pace. Retail openings rose sharply in July and are at record monthly high.



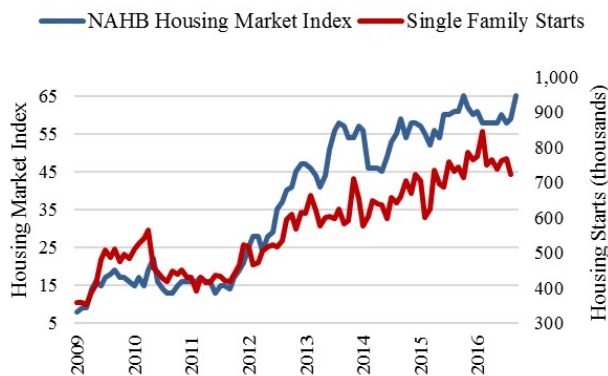
## GDP

Economy activity is unimpressive but expected to increase modestly in third quarter. Posting a rate of 4.9 percent in August, the economy is approaching full employment.

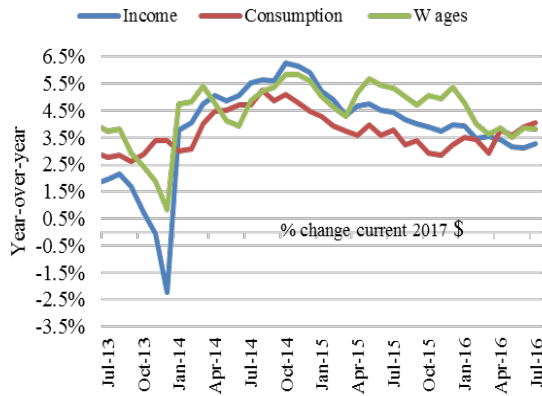


## HOUSING MARKET

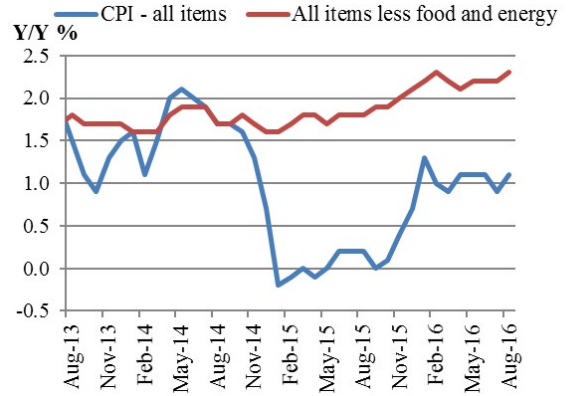
Despite the jump in homebuilder optimism, housing starts in August eased more than expected. The slowdown may weigh on home-related retail purchases.



Aggregate income and spending was strong in July. As the labor market progresses forward, income will continue to grow and will set in motion faster consumer spending.



Consumer prices moved higher in August but inflation pressure remains relatively tame. The strength in the August CPI was from services, not goods inflation.



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